

HB300 (2009) – Rep. Pat Ingraham
INCREASING TAX EXCLUSIONS FOR MEDICAL SAVINGS ACCOUNTS (MSAs)

MEA-MFT HB300 Opponent's Statement – January 27, 2009

Marco Ferro or Tom Bilodeau from MEA-MFT
Before the Montana House Taxation Committee

MEA-MFT generally opposes the use or expansion of MSAs (or Health Savings Accounts – HSAs) on both health policy and health care financing policy grounds.

High-deductible (HD) MSA health plans do not afford participants with sufficient protection from risk of unexpected or expected health care costs. \$5,000+ annual deductibles (and now often \$10,000+ family deductibles) coupled to low wages are simply unaffordable by most families in Montana.

HD-MSA plans discourage people from seeking consistent and repeated preventive care and causes people to delay cost-effective medical treatment when needed.

See: American Academy of Pediatrics (AAP) Journal of Pediatrics, March 2007; #119, pp.622-626.(1) MSA plans also usually impose higher out-of-pocket prescription costs to consumers while compromising consumer adherence to prescribed medications regimes. See footnote (1)c below.

MSAs undermine member and medical provider enrollment and both employer and employee funding of traditional fee-for-service or PPO/HMO networked group health insurance pools. 3rd Annual EBRI/Commonwealth Fund "Consumerism in Health Care Survey-2007," April 2008. After adjusting for cost-shifting from employers to employees, actual medical cost-savings from adoption of MSA health plans are about 1.5% of health care costs than would be predicted by typical risk-benefit health benefit designs. "Do Consumer-Driven Health Plans Help Reduce Costs?", Milliman Research, April 2008.

(1) Also see:

- a) Fronstin P, and Collins S. The 2nd Annual EBRI/Commonwealth Fund. "Consumerism in Health Care Survey-2006: Early Experience with High-Deductible and Consumer Driven Health Plans," December 2006.
- b) Woolhandler S and Himmelstein D. Consumer Directed Healthcare: Except for the Healthy and Wealthy It's Unwise. Journal of General Internal Medicine 2007: 22:879-881.
- c) American Health Insurance Plans. A Survey of Preventive Benefits in Health Savings Account (HSA) Plans in July 2007. November 2007 at: <http://www.ahipresearch.org/pdfs/HSAPreventiveSurvey> .

Finally, MEA-MFT does not believe that Montana effectively addresses health insurance or health needs of our citizens by expanding tax advantages for MSAs – tax advantages that will only be utilized by a small share of the public. Fewer than 5% of workers eligible to participate in HD-MSA/HSA plans offered nationally or by MUST in Montana have elected to enroll in MSA/HSA plans. MSA/HSA enrollment has been disproportionately higher among higher-income individuals with GAO reporting that average adjusted gross income of HSA users in 2005 was \$139,000 while the average AGI of all tax filers was \$57,000. See GAO-08-474R HSA Study Report to the House Cmte on Oversight & Government Reform and Sub-Cmte for Health, US House Cmte on Ways & Means, April, 2008.

Montana will not advance the cause of quality and affordable health care for all of our citizens by expanding MSA tax advantages to a narrow few of our population. Rather than engaging in tax expenditures as proposed by HB300, MEA-MFT suggests that we preserve current income tax revenues and direct additional state monies into support for S-CHIPs, Insure Montana, Montana Comprehensive Health Care or other programs affecting the common good and health-care needs of all Montanans.

Please “vote No / do not pass” on HB300. Thank you.